



City of Santa Barbara
Airport Department

Memorandum

DATE: March 21, 2007
TO: Airport Commission
FROM: Karen Ramsdell, Airport Director
SUBJECT: Two-Year Financial Plan for FY's 2008 and 2009

Recommendation

That Airport Commission recommend approval of the Airport Department's Two-Year Financial Plan and Budget for Fiscal Years 2008 and 2009.

Executive Summary

The Airport's budget has been prepared based on forecasted revenues from rentals and user fees taking into consideration the impact of continued land development negotiations in the commercial industrial area, the completion of the airfield safety projects, and the start of construction for the Airline Terminal project.

As part of the projected revenue forecast, the Airport is proposing a parking fee adjustment for both the short and long-term parking lots.

Expenditures have been projected based on historical trends and anticipated operational activities. Significant increases are for maintenance contracts for Noise Abatement and Security computer systems and for environmental compliance programs.

Additionally, one position has been converted from an Hourly to a Full-Time permanent position, with the increased costs being covered from other line-items within the program budget.

The Performance Program Measures (P3's) have been expanded to include sustainability objectives by program.

During the next budget cycle, the Airport will be investing in major capital programs. These projects include completion of the Runway Safety projects, design and start of construction for the new Airline Terminal, construction of a joint use maintenance facility for the rental car companies, and construction of 24 T-Hangars. Expenditures for these projects are predicted to total approximately \$43,924,877. The Capital Program includes funding from Airport Department reserves above policy, Federal Aviation Administration Airport Improvement Program (AIP) grants, Passenger Facility Charge fees on airline tickets, Customer Facility Charge fees on rental car contracts, and a loan from the State of California, Department of Aeronautics.

Revenue Analysis

Airport sources of revenue include commercial/industrial lease rental revenue, rental and fees from the Fixed Base Operators and other general aviation users, building rental and landing fees from the airlines, and airline terminal concession revenue. The FY 2007 projected revenues, \$13,603,408, were used in the analysis for developing the FY 2008 and 2009 forecast.

Revenue assumptions for FYs 2008 and 2009 include:

- Commercial and industrial revenues to remain flat with continuation of land development activities.
- Non-Commercial Aviation revenue is projected to have a 3% increase in FY 08. In FY 2009 when Airline Terminal construction starts, Mercury's leasehold will be reduced, and these revenues are projected to return to FY 2007 levels.
- Terminal revenues will increase due to rental car fees, and a rate adjustment in parking, but other concessions to remain flat.
- Commercial Aviation revenues will remain static in FY 2008 with some slight reduction in landing fees due to airfield construction. Building rental will be adjusted in FY 2009 due to construction of the new Airline Terminal and the loss of one bag claim area.
- **Total projected revenue for FY 2008 is \$13,152,229.**
- **Total project revenue for FY 2009 is \$12,825,491.**

Expenditures Analysis

Expenditure assumptions for FY 2008 are listed below:

- Salaries and Benefits are projected to slightly increase in FY 2008 at 2.8% and 6.5% increase in FY 2009.
- Total Materials including costs for ARFF and Engineering is budgeted at 6.2% increase in FY 2008 and only a 1.1% increase in FY 2009. Costs for maintenance of new computer systems in security and the costs associated with a full-scale emergency exercise account for the majority of the increased costs.
- Special Projects primarily pertains to the Parking Shuttle operation and will increase by 28.3% due to increased costs for employee salaries and benefits due to the City's Living Wage Ordinance, fuel, and equipment rental during the holidays.
- Equipment, Non-Capital are budgeted for a total of \$157,581 in FY 2008 and include costs associated with computer software and hardware, and a new vehicle for Security. The total expense for FY 2009 decreases to \$99,029.
- Allocated costs have increased 14.2% in FY 2008 due to adjustments to insurance expense and overhead allocation. In FY 2009 this line item increases 3.6%.
- **Total Expense excluding Capital transfers for FY 2008 is projected at \$12,094,040.**
- **Total Expense excluding Capital transfers for FY 2009 is projected at \$12,449,258.**

Total actual expenditures excluding Capital transfers for FY 2006 were \$10,315,853 and the projected expenditures for FY 2007 are \$11,422,353. The proposed operational budget reflects increases in salaries and benefits over the last three years, and increased costs in allocated costs.

Proposed Fee Changes

With the adoption of the Living Wage Ordinance which affects all service contract renewals after July 1, 2006, the operating costs for the Parking program are estimated to increase by \$225,000.

In 1995, the parking rates were adjusted for the first time in ten years. At that time, Airport Commission recommended that staff monitor the parking rates by surveying other similar sized and southern California airports, and to adjust the parking fees on a periodic basis to maintain market rates.

Parking fees at the Airport were last adjusted in August 2005. The parking fees are benchmarked with other southern California airports. A survey was conducted of airports in the Los Angeles basin, including Burbank, LAX, and Long Beach (leakage airports for Santa Barbara) and found that both the long and short-term parking rates were higher than Santa Barbara's.

In an effort to keep pace with the industry, to encourage alternative transportation, and to address the increased costs due to the implementation of the Living Wage Ordinance, Airport staff is recommending that the maximum daily rate in the Short-term lot be increased from \$16 to \$17 and the daily rate in the Long-Term Lots be increased from \$8 to \$9 with the 6th and 7th days free.

SHORT-TERM LOT			
0-15 minutes		\$ 1.00	
16 minutes-1 hour		2.00	
Each Additional Hour or fraction thereof		1.00	
Maximum-24 hours		16.00	17.00

LONG-TERM LOT		LONG-TERM LOT # 2	
0-1 hour	\$ 2.00	0-1 hour	\$ 2.00
Each Additional hour or fraction thereof	1.00	Each Additional hour or fraction thereof	1.00
Maximum 24 hours	8.00 9.00	Maximum 24 hours	8.00 9.00
Weekly rate (7days)	48.00 45.00	Weekly rate (7days)	48.00 45.00

With these changes parking revenue in the Short-Term lot is projected to increase 2% (\$16,279) and in the Long-Term lots 10% (\$208,493).

Additionally, AMPCO, the Parking Management Company is investigating “pay-on-foot” equipment for the Airline Terminal public parking lots. It is possible that this equipment will be installed prior to the end of the fiscal year, and would reduce the operating costs for the parking program. Once this project has been developed, staff will bring a complete report to Airport Commission for consideration.

Programmatic Changes

The Department’s P3 program was expanded to incorporate new sustainable objectives in each program. Those objectives are:

Administration

- Develop and implement strategies and an employee education program to meet the Department’s sustainability objectives.
- Explore opportunities to generate renewable energy (solar PV).
- Purchase alternative fuel or hybrid vehicles for Airport Department use where possible.

Business & Property

- Develop and implement a tenant education program to promote the City’s Sustainability Program using various media to communicate quarterly.

Marketing & Communications

- Specify high recycle content paper for publications in the Airline Terminal Project Community Outreach Program.
- Highlight Airport efforts to “green” the new Airline Terminal in the project’s public information materials.

Facilities Maintenance

- Retrofit all fluorescent light fixtures in the Airport Administration Building with more energy efficient models and expand the use of natural lighting if possible.
- Develop and implement “greening” guidelines for use in remodeling tenant leased space (low VOC fabrics and finishes, high efficiency water, lighting and HVAC systems, maximize natural lighting and passive climate control, solar.

Air Operations Area Maintenance

- Investigate the feasibility of converting airfield lighting to LED.

Security

- Conduct a pilot project using an alternative fuel/hybrid vehicle for Airport Patrol.

Facilities Planning & Development

- Promote green design in all Airport projects, including the Airline Terminal project.

Reallocation of resources between programs

A new program has been established, 7442, Environmental Compliance. The Airport has segregated all costs associated the various environmental programs including mitigation maintenance, the IPM program, storm water and waste water permits. One position and the other line item expenditures were reallocated from existing programs, so there is no increase in cost.

Proposed Staffing Changes

An Hourly position in Marketing and Communications was deleted and a new Full-Time permanent position, Airport Marketing Assistant, Range 258, was created. The funding for this position was made available by decreasing the expenditures for outside consultants and other professional services.

Proposed capital projects contained in budget submittal

- The FY 2008 Capital Program totals \$1,530,000 for Airport funded projects including routine maintenance and repair categories, design services for the water loop system, and design services for a new sewer system on the Airport. Additionally, the Airport has been allocated \$12,450 for the Airport's share of the City's Financial Management System (FMS) Replacement Project.
- The FY 2009 Capital Program for Airport funded projects is \$1,762,979 to cover the costs of routine maintenance, Building 255 Remodel, and Phase I funding for the water loop system. The Airport's FMS allocation is \$70,550.
- The water loop system and the sewer system are anticipated to be constructed in FY 2010.
- The Airport will fund FY 2008 and FY 2009 Capital budgets with reserves above policy from the operational budget and will reallocation accumulated reserves in the Airport funded Capital Fund.

Long Term Parking Rate Comparison

	LAX	Burbank	<u>Santa Barbara</u>	<u>Ontario</u>	<u>Long Beach</u>	<u>John Wayne</u>
60 minutes	\$3.00	\$2.00			\$1.00	
Long Term Daily Max	\$10.00	\$11.00	\$8.00	\$11.00	\$12.00	\$12.00
Long Term Lot #2	\$8.00	\$9.00	\$8.00	\$7.00	\$9.00	
Long Term Lot #3				\$6.00	\$6.00	
Short Term	\$30.00	\$30.00	\$16.00	\$15.00	\$15.00	\$17.00

**City Of Santa Barbara
Airport Operating Fund
Forecast of Revenues & Expenses**

	Actual	Adopted Budget	Projected Budget		
	2006	2007	2007	2008	2009
Operating Revenue					
Leases					
Commercial & Industrial	\$ 4,021,800	\$ 4,045,000	\$ 3,965,560	\$ 3,979,900	\$ 3,979,900
Non-Commercial Aviation	1,226,608	1,211,000	1,296,883	1,251,941	1,251,941
Terminal					
Rental Cars	1,387,115	1,127,700	2,225,856	1,785,850	1,785,850
Parking	2,957,782	2,930,050	2,930,050	3,165,000	3,165,000
Concessions	200,286	207,590	212,404	208,800	208,800
Terminal sub-total	4,545,183	4,265,340	5,368,310	5,159,650	5,159,650
Commercial Aviation					
Building	884,727	892,989	1,064,193	1,065,100	934,891
Landing Fees (Airlines)	1,040,553	980,109	988,026	980,109	980,109
Landing Fees (Freight/Charter)	33,673	30,000	39,300	35,000	35,000
Commercial aviation sub-total	1,958,953	1,903,098	2,091,519	2,080,209	1,950,000
Total Leases	11,752,544	11,424,438	12,722,272	12,471,700	12,341,491
Other					
Interest Income	412,522	415,000	593,500	580,318	450,000
TSA Reimbursement	259,033	202,548	264,836	66,211	-
Other	19,182	34,000	22,800	34,000	34,000
Other sub-total	690,737	651,548	881,136	680,529	484,000
Total Operating Revenue	\$ 12,443,281	\$ 12,075,986	\$ 13,603,408	\$ 13,152,229	\$ 12,825,491
Salaries & Benefits (4%)	\$ 4,128,646	\$ 4,470,208	\$ 4,506,584	\$ 4,587,577	\$ 4,887,328
Supplies & Services (2%)	2,573,096	2,974,478	2,966,073	3,280,382	3,261,504
ARFF (4%)	1,486,632	1,546,418	1,601,182	1,552,057	1,616,556
Engineering (4%)	307,770	365,779	352,879	351,355	365,107
Special Projects	481,044	498,852	512,984	639,823	639,823
Allocated Costs (4%)	1,244,636	1,287,190	1,287,225	1,465,095	1,517,974
Equipment	94,029	226,999	195,426	157,581	99,029
Appropriated Reserves	-	56,590		60,170	61,937
Total Operating Expenses	\$ 10,315,853	\$ 11,426,514	\$ 11,422,353	\$ 12,094,040	\$ 12,449,258
Net operating gain / (loss)	\$ 2,127,428	\$ 674,960	\$ 2,181,055	\$ 1,058,189	\$ 376,233
Net gain / (loss)	<u>\$ 2,127,428</u>	<u>\$ 674,960</u>	<u>\$ 2,181,055</u>	<u>\$ 1,058,189</u>	<u>\$ 376,233</u>